

## **SCOPE OF THE ASSIGNMENT**

Hotel & Leisure Advisors, LLC has been retained by the Greene County Industrial Development Agency and MAR Holdings, LLC to estimate the economic impact of the development of a Great Wolf Lodge indoor waterpark resort in New Baltimore, New York.

We have made a number of independent investigations and analyses in performing this study. We have estimated the economic impacts that may be generated by the construction and operation of the proposed hotel and waterpark. We have utilized the Regional Input-Output Modeling System II (RIMS II) which provides multipliers for output, earnings, and employment by industry aggregation for Greene County, New York, which we had generated from the U.S. Department of Commerce's Bureau of Economic Analysis. We have reviewed and analyzed various visitor spending statistics including the following:

- *The Economic Impact of Tourism in New York State Catskills Focus May 2010* prepared by Tourism Economics
- *Greene County Tourism Economic Impact Analysis and Strategic Goals October 2010* prepared by Tourism Economics
- *Economic Impact of Expenditures by Travelers on the Wisconsin Dells Area: Calendar Year 2010* prepared by Davidson-Peterson Associates for Wisconsin Dells Visitor and Convention Bureau
- *AAA Annual Vacation Cost Survey 2008* prepared by the American Automobile Association (AAA)
- *The Economic Significance of Meetings to the U.S. Economy February 2011* prepared by PricewaterhouseCoopers LLP for the Convention Industry Council.

We have utilized data and financial projections from the market feasibility study dated August 15, 2011 and prepared by our firm for the same clients. We have utilized the same first year projections from the market feasibility study in this analysis for our first year.

## **EXECUTIVE SUMMARY**

### **Economic Impact Conclusions**

The economic impact of a project such as a resort hotel with an indoor waterpark and conference center will be experienced on a temporary and permanent basis throughout many levels of the economy. Temporary impacts will include jobs and revenues created from the construction of the facility as well as related costs of construction. Permanent economic impacts will be generated by permanent jobs created, ongoing revenues realized by service providers, and other sources. The county, township, and state will realize new tax revenues generated from incremental visitor spending, additional employment-related taxes, potentially reduced unemployment costs, and net returns realized through higher utilization of state operated public services.

We recommend that the proposed subject development in Greene County include 400 guest rooms in the hotel with an approximately 80,000 square foot indoor waterpark, restaurant and lounge, 18,000 square foot conference center, arcade, gift shop and other amenities. The proposed resort will be part of the northern development area of Kalkberg Commerce Park that is projected to also have a Bass Pro Shop style destination retailer and outlet retail.

H&LA estimated three types of new economic impacts of the proposed subject in New Baltimore, Greene County, New York.

- *Direct-Effect Impact* includes the jobs and spending directly created by the construction and operations of the indoor waterpark resort and conference center.
- *Indirect or Induced Impacts* result from production changes in downstream industries associated with the initial direct spending and employment at the facility. For example, a direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. These restaurant purchases are an example of indirect economic impact.
- *Final Impact* represents the overall economic impact of a change in final demand on output, earnings, and employment of a region's economy. The final impact calculations represent the increased output, earnings, and employment, which occur in an economy because of spending caused by the proposed resort.

The following formula shows the derivation of the final impact conclusion.

$$\text{Final Impact} = \text{Direct-Effect Impact} + \text{Indirect or Induced Impacts}$$

**Construction Conclusion:** The following table indicates our estimates of the direct impact associated with the construction and development costs of the subject hotel, indoor waterpark and conference center.

<b>Estimated Preliminary Construction and Development Costs</b>	
<b>Proposed Great Wolf Lodge - New Baltimore</b>	
Development budget per room	\$325,000
Projected number of rooms	400
Total development budget	\$130,000,000
% for construction	70%
Construction budget	\$91,000,000
% of construction budget for payroll	45%
Direct Payroll budget	\$40,950,000
Source: Hotel & Leisure Advisors	

Our analysis indicates that the construction of the subject hotel with indoor waterpark and conference center will result in the following direct and indirect economic impacts in Greene County, New York.

<b>Proposed Great Wolf Lodge - New Baltimore</b>	
<b>Construction</b>	
Earnings	\$49,350,000
Jobs	1,084
Total Output	\$122,400,000
Source: Hotel & Leisure Advisors	

**Operations Impact - First Year Conclusion:** Our analysis indicates that the operation of the subject indoor waterpark resort will result in the following direct and indirect economic impacts in the first year of the projection in Greene County, New York.

<b>Proposed Great Wolf Lodge - New Baltimore</b>	
<b>Operations Impact</b>	
Earnings	\$20,592,000
Jobs	629
Total Output	\$77,398,000
Source: Hotel & Leisure Advisors	

**Visitor Spending Outside of Resort First Year Conclusion:** Our analysis indicates that the operation of the subject indoor waterpark resort will result in the following direct and indirect economic impacts from visitor spending outside of the resort in the first year of the projection in Greene County, New York.

<b>Proposed Great Wolf Lodge - New Baltimore</b>	
<b>Visitor Spending Outside of Resort</b>	
Earnings	\$3,131,250
Jobs	104
Total Output	\$12,014,000
Source: Hotel & Leisure Advisors	

**Ten-Year Combined Operation and Visitor Spending Conclusion:** Our analysis indicates that the development of the subject resort will result in the following combined operation and visitor spending economic impacts over a 10-year period.

<b>10-Year Combined Resort and Visitor Spending Impact</b>	
<b>Direct Impact</b>	
Output (annual business created)	\$710,671,000
Earnings	\$191,229,000
Employment per year	514
<b>Indirect Impact</b>	
Output (annual business created)	\$399,305,000
Earnings	\$103,394,000
Employment per year	306
<b>Final Demand Impacts</b>	
Output (annual business created)	\$1,109,976,000
Earnings	\$294,623,000
Employment per year	820
Source: Hotel & Leisure Advisors	

**Tax Impact Conclusion:** Our analysis indicates that the development of the subject hotel will result in the following additional taxes, Payment in Lieu of Taxes (PILOT) and Public Improvements Support Fee (PISF) for the township, county and state over a 10-year period.

<b>Projected 10-Year Taxation Impact</b>		
<b>Proposed Great Wolf Lodge - New Baltimore</b>		
<u>Taxing Authority</u>	<u>Projected Taxes</u>	<u>Ratio</u>
State of New York	\$91,667,000	60.0%
Greene County	\$55,422,000	36.2%
New Baltimore	<u>\$5,804,000</u>	3.8%
Total for 10 years (rounded)	\$152,893,000	
Total annually (divided by 10)	\$15,289,300	
Source: Hotel & Leisure Advisors		

The details of the tax estimates are presented in the next section.

**DEFINITIONS**

RIMS II provides users with five types of multipliers: final-demand multipliers for output, earnings, and employment and direct-effect multipliers for earnings and employment. These multipliers measure the economic impact of a change in final demand, earnings, or employment on a region's economy. We have presented the following definitions from the RIMS II handbook.

**Final-demand output multipliers:** The final-demand multipliers for output are the basic multipliers from which all the other RIMS II multipliers are derived. They are presented in the final-demand output multiplier table in Addenda II. In this table, each column entry indicates the change in output in each row industry that results from a \$1 change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row. The total impact on regional output is calculated by multiplying the final-demand change in the column industry by the sum of all the multipliers for each row except the household row.

**Final-demand and direct-effect earnings multipliers:** RIMS II provides two types of multipliers for estimating the impacts of changes on earnings: final-demand multipliers and direct-effect multipliers. These multipliers are derived from the table of final-demand output multipliers.

The final-demand multipliers for earnings can be used if data on final-demand changes are available. In the final-demand earnings multiplier table, each column entry indicates the change in earnings in each row industry that results from a \$1 change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row. The total impact on regional earnings is calculated by multiplying the final-demand change in the column industry by the sum of the multipliers for each row.

The direct-effect multipliers for earnings can be used if data on the initial changes in earnings by industry are available. In the direct-effect earnings multiplier table, each entry indicates the total change in earnings in the region that results from a \$1 change in earnings in the row industry. The total impact on regional earnings is calculated by multiplying the initial change in earnings in the row industry by the multiplier for the row.

**Final-demand and direct-effect employment multipliers:** RIMS II provides two types of multipliers for estimating the impacts of changes on employment: Final-demand multipliers and direct-effect multipliers. These multipliers are derived from the table of final-demand output multipliers.

The final-demand multipliers for employment can be used if data on final-demand changes are available. In the final-demand employment multiplier table, each column entry indicates the change in employment in each row industry that results from a \$1 million change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row. The total impact on regional employment is calculated by multiplying the final-demand change in the column industry by the sum of the multipliers for each row.

The direct-effect multipliers for employment can be used if data on the initial changes in employment by industry are available. In the direct-effect employment multiplier table, each entry indicates the total change in employment in the region that results from a change of one job in the row industry. The total impact on regional employment is calculated by multiplying the initial change in employment in the row industry by the multiplier for the row.

RIMS II employment multipliers estimate impacts in terms of total jobs (part-time and full-time). The source data used to create the multipliers provides employment information in terms of total jobs, not full-time equivalence.

It is important to note that economic multipliers produce estimates, not exact calculations. The numbers presented in this report are meant to convey the scale of impact rather than the exact amount of money spent.

### **STANDARD CONDITIONS**

The following Standard Conditions apply to real estate consulting engagements and appraisals by Hotel & Leisure Advisors, LLC (H&LA). Extraordinary Assumptions are added as required.

1. The report is to be used in whole and not in part. The report, engagement letter and these standard conditions constitute the entire understanding and agreement between the parties with respect to the subject matter hereof and supersedes any and all prior or current agreements or understandings between the parties, whether in writing or orally. The report and engagement letter may not be amended except in writing signed by the parties hereto. These standard conditions shall survive the completion of the assignment.
2. Publication of the report or engagement letter without the prior written consent of H&LA is prohibited unless otherwise stated in the letter of engagement. Neither the report nor engagement letter may be used by any person other than the party to whom they are addressed nor may they be used for purposes other than that for which they were prepared. Neither the engagement letter, nor the report, nor their contents, nor any reference to the appraisers or H&LA or any reference to the Appraisal Institute, International Society of Hospitality Consultants, American Institute of Certified Public Accountants, or the American Institute of Architects, (or the MAI, ISHC, CPA or AIA designations) may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan, or other agreement or document without H&LA's prior written permission, in its sole discretion. Moreover, "H&LA" is a registered trademark of Hotel & Leisure Advisors, LLC. The client agrees that in event of a breach of this Section 2, in addition to any other rights and remedies of H&LA, and hereby consents to injunctive relief.
3. No responsibility is assumed for the legal description or any matters which are legal in nature. Title to the property is assumed to be good and marketable and the property is assumed to be free and clear of all liens unless otherwise stated. No survey of the property was performed. Sketches, maps, photos, or other graphic aids included in the reports are intended to assist the reader in ready identification and visualization of the property and are not intended for technical purposes.
4. The information contained in the assignment is based upon data gathered from sources the consultant or appraiser assumes to be reliable and accurate. Some of this information may have been provided by the owner of the property. Neither the consultants nor H&LA shall be responsible for the accuracy or completeness of such information including the correctness of public records or filings, estimates, opinions, dimensions, sketches, exhibits, and other factual matters.

5. The report may contain prospective financial information, estimates, or opinions that represent the consultants' or appraisers' view of reasonable expectations at a particular point in time. Such information, estimates, or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by H&LA's prospective financial analyses will vary from those described in the report, and the variations may be material. The financial projections stated in the report and any opinions of value are as of the date stated in the report. Changes since that date in external and market factors or in the property itself can significantly affect property value or performance.
6. H&LA has not considered the presence of potentially hazardous materials and contaminants such as asbestos, urea formaldehyde foam insulation, toxic waste, PCBs, pesticides, mold, lead-based paints, or other materials. The appraisers and consultants are not qualified to detect or report on hazardous material contamination and H&LA urges the client to retain an expert in this field if desired.
7. Unless noted, H&LA assumes there are no encroachments, zoning violations, or building violations encumbering the subject property. It is assumed that the property will not be operated in violation of any applicable government regulations, zoning, codes, ordinances, or statutes. No responsibility is assumed for architectural design and building codes. The analysis and concept drawings included in the report are not intended for technical purposes.
8. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
9. Real estate consulting engagements and appraisal assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and the client will be obligated to pay in advance for the standard per diem fees and travel costs.
10. No significant change is assumed in the supply and demand patterns indicated in the report. The appraisal or consulting engagement assumes market conditions as observed as of the current date of the market research stated in the letter of transmittal. These market conditions are believed to be correct; however, H&LA or the consultants assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
11. The quality of a lodging facility or other leisure property's management has a direct effect on the property's economic viability. It should be specifically noted by any prospective reader that the engagement assumes that the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. H&LA is not responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.
12. The forecast of income and expenses are not predictions of the future. Rather, they are the consultants' best estimates of current market thinking on future

income and expenses. We do not warrant that the estimates will be obtained, but that they have been prepared in a conscientious manner on the basis of information obtained during the course of this study.

13. The subject property is valued assuming all items of furniture; fixtures, equipment, working capital, and inventory are in place. Should items essential in the operation of the hotel prove to be missing, we reserve the right to amend the opinion of value expressed in an appraisal report.
14. H&LA does not, as part of this consulting report or appraisal, perform an audit, review, or examination (as defined by the American Institute of Certified Public Accountants) of any of the historical or prospective financial information used and therefore, does not express any opinion with regard to it.
15. The consulting engagement or appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Code of Ethics of the Appraisal Institute. No other code, ordinance, rule or regulation of any kind or nature whatsoever shall apply.
16. It is agreed that the maximum damages recoverable from H&LA or its affiliates or their respective employees relative to this engagement shall be the amount of the money actually collected by H&LA or its affiliates for work performed pursuant to the engagement letter. The client acknowledges that H&LA cannot and does not guarantee and makes no representations as to the success of the project. H&LA shall not be liable for any incidental, breach of warranty, consequential or punitive damages, expenses, costs or losses whatsoever directly or indirectly arising out of the services performed hereunder (including negligence and/or gross negligence). In addition, there is no accountability or liability to any third party.
17. The client hereby releases and discharges H&LA, its directors, officers, and employees, from and against any and all claims and demands of any nature or kind whatsoever arising as a result of the design, development, operations, and performance of the proposed or existing project. The client furthermore agrees to indemnify, defend and hold harmless H&LA and its directors, officers and employees, from any and all claims of any nature whatsoever, including attorney fees, expenses and costs.
18. The report does not address the project's compliance with the federal statute commonly known as the Americans with Disabilities Act as well as regulations and accessibility guidelines promulgated thereunder.
19. The provisions of the report, the engagement letter and these standard conditions shall be severable, and if a court of competent jurisdiction holds any provisions of the report, engagement letter and these standard conditions invalid, illegal or unenforceable, the remaining provisions shall nevertheless remain in full force and effect as written.

#### **COMPETENCY OF THE CONSULTANTS**

Hotel & Leisure Advisors, LLC is a national hospitality consulting firm specializing in appraisals, feasibility studies, and impact analyses for hotels, outdoor and indoor waterparks, resorts, golf courses, restaurants, conference and convention centers, and

other leisure real estate. We work exclusively in the hospitality industry and concentrate our efforts on in-depth understanding of the trends and factors related to this industry. Our participation in industry associations and trade groups keeps us abreast of developments affecting our clients and gives us access to rich sources of data. We follow news and transactions occurring in the hospitality industry on a daily basis. The consultants of the firm have performed over 1,000 hotel studies since 1987 at various firms. Mr. David J. Sangree, MAI, CPA, ISHC has written articles concerning hotels, resorts, and waterparks for *Hotel/Motel Management*, *Lodging Hospitality*, *World Waterpark Magazine*, *Midwest Real Estate News*, *Aquatics Magazine*, *Hotel Online*, and *Cornell Hotel and Restaurant Administration Quarterly* and is a national expert on these types of properties. He has appeared on Good Morning America and CNBC concerning shows on resorts and waterparks. He has inspected most of the open indoor waterpark resorts in the United States and Canada. We maintain databases and files concerning various types of hospitality properties. Therefore, we possess the knowledge and experience to conduct the inspection, analysis, and reasoning necessary to estimate the feasibility of the subject.